

WHAT IS THE PREMIUM OPTION PLAN?

The Premium Option Plan (POP) allows you to save money by paying your share of medical and dental premiums with before-tax dollars. You won't have to pay FICA, Medicare, or federal income taxes on money earned which is used to pay premiums.

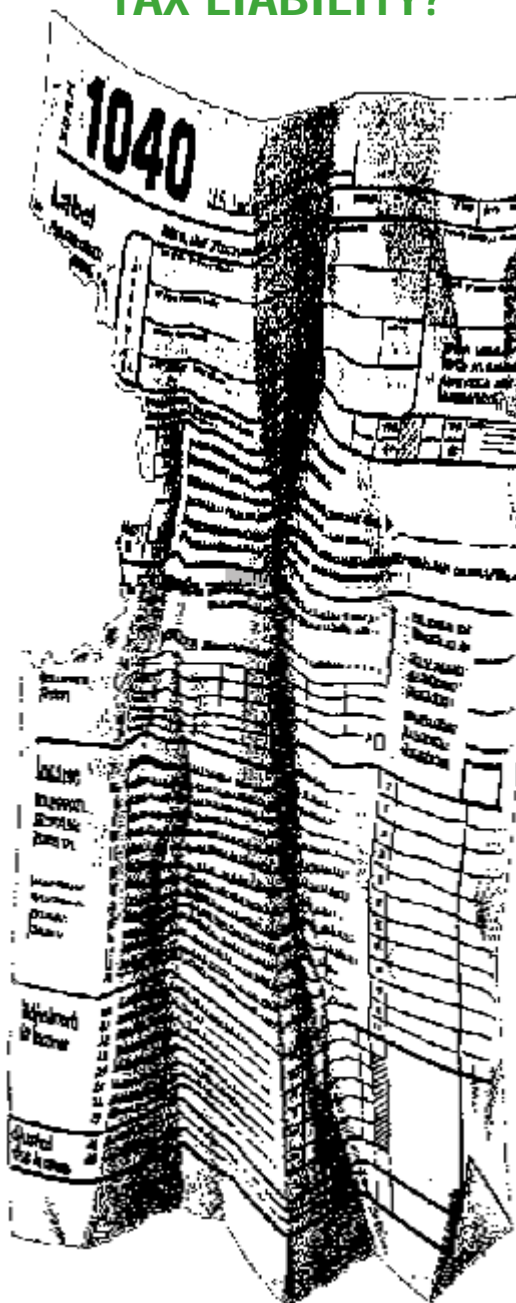
HOW DO I ENROLL?

Enrollment into the Premium Option Plan (POP) is automatic

unless

you complete a *Declination of Premium Option Plan* form available from your benefits administrator.

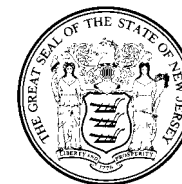
WANT TO TAKE A BITE OUT OF YOUR TAX LIABILITY?



New Jersey State Employees Tax Savings Program



THE PREMIUM OPTION PLAN 2003



State of New Jersey
Department of the Treasury
Division of Pensions and Benefits

PREMIUM OPTION PLAN (POP) FOR PLAN YEAR 2003

POP is a benefit of the State's Tax Savings Program available to State employees participating in the State Health Benefits Program (SHBP). POP allows you to save money by paying any dental or medical premiums you may have for your SHBP coverages with before-tax dollars. You will not have to pay federal income taxes, Medicare or Social Security taxes on money earned which is used to pay premiums. Since, through the POP, you pay less in taxes and in turn increase your take-home pay, **enrollment in the plan will again be automatic for the 2003 Plan Year.**

A summary of the advantages and disadvantages of the POP are shown below.

The major advantage of the POP is that it increases your take-home pay by reducing your federal taxes - income, Social Security, and Medicare. One of the disadvantages is that it *may* reduce your Social Security wage base which may *slightly* affect your Social Security payments when you eventually collect them.

Individual participating in POP

Net Biweekly Salary*	\$1,500.00
Less Dental Premium**	23.63
Taxable Salary	\$1,476.37

Less Estimated Taxes:

Federal	198.37
FICA	112.94
Salary after Taxes	\$1,165.06
Spendable Income with POP	\$1,165.06

Individual NOT participating in POP

Net Biweekly Salary*	\$1,500.00
Taxable Salary	\$1,500.00

Less Estimated Taxes:

Federal	201.92
FICA	114.75
Salary after Taxes	\$1,183.33
Less Dental Premium**	23.63
Spendable Income without POP	\$1,159.70

Spendable Income with POP	\$1,165.06
Spendable Income without POP	\$1,159.70

Additional Spendable Biweekly Income with POP

\$5.36

Annual Savings **with** POP***

\$139.36

* Salary after state income tax and pension (414h) deduction.

** Family coverage, Dental Expense Plan rate as of 1/2002.

*** Savings assuming federal tax at the 15% bracket. At the 27% or higher tax brackets, the annual savings would be higher.

In addition, if you are paying *medical* premiums, your savings would be more significant.

The example at the left shows the additional take-home pay an individual could have participating in the POP as opposed to not participating in the POP.

Enrollment in the POP is simple. If you wish to participate in the POP, **do nothing** and you will automatically be enrolled and pay less in taxes.

If you **do not** wish to take advantage of this money saving plan in 2003, you must decline enrollment by completing a *Declination of Premium Option Plan* form. You may obtain the form from your benefits administrator. The form must be returned to your benefits administrator by October 31, 2002. Even if you declined enrollment for 2002, you must complete another form declining enrollment for 2003.

Before you decline, read the article in the Tax\$ave newsletter on Social Security. Declining may not be a wise financial decision for you.

This plan runs on a calendar year basis.